

Message Text

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SUBJECT: DISCUSSION OF DUTCH EXPORT AID FACILITY AT

TRADE COMMITTEE WORKING PARTY - MAY 18, 1976

1. AT MAY 18 TCWP DUTCH CAME UNDER INTENSE QUESTIONING, MAINLY BY US, CANADA, AND AUSTRALIA, ON THEIR NEW EXPORT AID FACILITY, THE NOTIFICATION FOR WHICH HAD BEEN IMPRECISE IN NUMBER OF RESPECTS. EXAMINATION OF SCHEME, WHICH APPEARS TO BE INTENDED TO MAKE UP FOR DIFFERENCES BETWEEN NETHERLANDS' AND OTHER COUNTRIES EXPORT FINANCING SYSTEMS, WAS MAINLY FACTUAL. CANADA SAID MEASURE APPEARED TO BE INCONSISTENT WITH TRADE PLEDGE AND GATT ARTICLE 16.4, AND US DEL QUESTIONED COMPATIBILITY OF DUTCH ACTION WITH INFORMAL STANDSTILL
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AGREEMENTS IN EXPORT CREDITS GROUP. SECRETARIAT WILL

DO SUMMARY OF DISCUSSION FOR REVIEW BY TCWP JUNE 2-3, AT WHICH TIME WE EXPECT THERE WILL BE OPPORTUNITY FOR POSING FURTHER QUESTIONS ON SCHEME AND EXPRESSING VIEWS ON ITS COMPATIBILITY WITH INTERNATIONAL OBLIGATIONS.

2. NETHERLANDS DEL DEFENDED NEW EXPORT AID FACILITY AS A ONE-SHOT DEFENSIVE MEASURE OF SMALL MAGNITUDE, DESIGNED TO COMPENSATE FOR FACT THAT DUTCH EXPORTERS GET EXPORT FINANCING AT MARKET RATES OF INTEREST, WHILE OTHER COUNTRIES OFFER CREDIT AT RATES AS LOW AS 7 1/2 PERCENT. WHILE CLAIMING THAT NO CLEAR CUT CRITERIA HAD BEEN ESTABLISHED YET FOR DETERMINING WHO SHOULD GET THE MONEY, OR HOW MUCH, NETHERLANDS DEL INDICATED THAT SO FAR 16 MILLION GULDERS HAD BEEN SPENT, RELATED TO TOTAL EXPORT TRANSACTIONS OF ABOUT 290 MILLION GULDERS. HE EMPHASIZED THAT SUPPORT WOULD BE IN FORM OF DIRECT GRANTS TO FIRMS AND NOT A SUBSIDY TO LOWER THE EXPORT FINANCING INTEREST RATE ITSELF. WHEN THE 50 MILLION GULDERS WAS USED UP HE DID NOT EXPECT ANY MORE TO BE ALLOCATED. WITH RESPECT TO PRODUCT COVERAGE, ANY PRODUCT NORMALLY CONSIDERED ELIGIBLE FOR FINANCING OF 5 YEARS OR LONGER, EXCEPT SHIPS, COULD RECEIVE SUPPORT FROM SCHEME. DUTCH DEL ALSO CLARIFIED QUESTION OF DESTINATION OF EXPORTS, NOTING THAT IT WAS TRANSACTIONS INVOLVING PURELY INTRA-EUROPEAN COMPETITION (RATHER THAN EXPORTS DESTINED FOR EC COUNTRIES, AS STATED BY THE NOTIFICATION) WHICH WOULD BE INELIGIBLE FOR SUPPORT. DUTCH DEL SAID HE THOUGHT COST ESCALATION INSURANCE SHOULD BE ABOLISHED BUT THAT HE WAS NOT SURE WHETHER USE OF THIS BY COMPETITORS WAS BEING CONSIDERED ADEQUATE JUSTIFICATION FOR RESORT TO DUTCH FACILITY FOR PARTICULAR TRANSACTIONS, STRESSING THAT NEED TO FILL "INTEREST RATE GAP" WAS MAIN CONSIDERATION.

3. IN VIEW OF APPARENT CLOSE RELATIONSHIP OF DUTCH SCHEME TO PROBLEMS OF EXPORT CREDIT COMPETITION THERE WAS SOME REFERENCE TO WORK OF EXPORT CREDITS GROUP. US DEL NOTED THAT GON SHOULD BE ABLE TO SEE VALUE OF LIMITED OFFICIAL USE

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EXPANDING OECD EXCHANGE OF INFORMATION SYSTEM TO INCLUDE FINANCING COSTS (WHICH THEY HAD OPPOSED FEW DAYS EARLIER) AS THIS WOULD ENABLE THEM TO KNOW IF IN FACT TERMS BEING OFFERED BY COMPETITORS WERE SIGNIFICANTLY LOWER THAN THEIR OWN, AND WHETHER SUPPORT FROM FACILITY WAS REALLY NECESSARY FOR A SPECIFIC TRANSACTION. WHEN QUESTIONED BY SECRETARIAT AS TO WHETHER SCHEME WOULD BE NOTIFIED TO THE EXPORT

CREDITS GROUP, NETHERLANDS DEL SAID HE THOUGHT IT
WOULD NOT BE, SINCE IT WAS NOT A FUNDAMENTAL CHANGE
IN THEIR EXPORT FINANCING SYSTEM.

4. MISSION WOULD APPRECIATE ANY FURTHER QUESTIONS OR
COMMENTS DEPARTMENT MAY HAVE ON RELATIONSHIP BETWEEN
DUTCH SCHEME AND TRADE PLEDGE OR EXPORT CREDITS UNDER-
STANDINGS IN TIME FOR TCWP MEETING JUNE 2-3.
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